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T.R.A. DOCKET ROOM
January 30, 2004

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VIA HAND DELIVERY

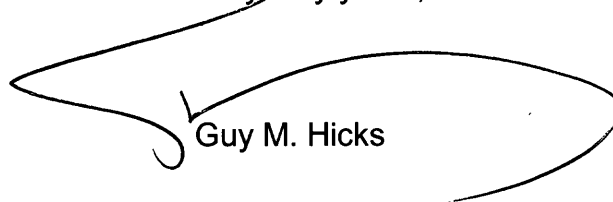
Hon. Deborah Taylor Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *Tariff Filing to Reclassify Rate Grouping of Certain BellSouth Exchanges*
Docket No. 04-00015

Dear Chairman Tate:

Enclosed are the original and fourteen copies of BellSouth's response to the Staff's Data Request of January 27, 2004.

Very truly yours,



Guy M. Hicks

GMH:ch

REQUEST: Please state the total amount of revenue increase for business and any other non-residential consumers that will result from the proposed regrouping of exchanges.

RESPONSE: Assuming no change in demand and no changes in population in the regrouped areas, placing business and all other non-residential customers in the correct rate group in accordance with the A3 tariff will result in an estimated \$154,475 annual revenue decrease.

REQUEST: According to its most recent price regulation plan approved, please identify BellSouth's existing headroom for basic and non-basic categories prior to and after this filing (for this calculation assumes the 1.6% increase is in effect). Moreover, will the additional revenues identified in request items (2) and (3) above offset a portion of BellSouth's existing headroom pursuant to its price regulation plan.

RESPONSE: Conforming customers into their proper rate classification in accordance with the A3 tariff is not a rate increase. Nothing in the price regulation statute or plan even references, much less changes, the rate group concept generally or the tariff filing specifically. Consequently, there is no statutory requirement that BellSouth use headroom in order to place customers in the proper rate group.

Headroom is not required in order to correct rate groups such that all locations meeting the rate group definitions, as set out in the tariff, are included in the correct rate groups. This correction is necessary because the current tariff defines rate groups based on the number of locations that can be dialed as a local call. Due to development in these areas during the substantial time since the tariff was established, this local calling ability has changed. As a result of those changes, some areas no longer fit within the rate group classification in which they were included at the time the tariff was established.

Rather than being analogous to a rate change, this situation is in fact analogous to the situation in which a customer physically moves from one location to another. If the customer's new location did not meet the definition of the former rate group, then the rate would be applied to that customer consistent with the new rate group to which he now belonged. Obviously, no headroom would be required to make this change. Likewise, customers affected by the regrouping are customers whose geographic location no longer is consistent with the rate group in which they were formerly included. In neither scenario has a rate increase occurred. Instead, facts have changed, and, as a result, a different (but current) rate should be applied to that customer.

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This filing neither requires nor creates headroom. Although not relevant, current headroom in the basic category after the 1.6% increase goes into effect is \$9,365,130. Current non-basic headroom is \$647,670. While no headroom is needed to make this tariff change, the revenue received as a result of this change, along with BellSouth's other revenue, will be considered and reflected for purposes of BellSouth's next price regulation filing.

REQUEST: If this tariff is approved, some residential customers will pay more for basic local exchange access lines. Please identify how much more residential consumers will pay for basic local exchange access lines, both as an amount and a percentage. Please provide this information for each exchange being regrouped.

RESPONSE: The existing A3 rate group tariff defines the rate group size and contains the current rates for each rate group. These definitions and rates are not changing. For exchanges being reclassified from rate group 4 to 5, which are the bulk of the affected customers, Residential 1 party flat rate service will increase by \$.30, a 2.53% increase. For those exchanges that are appropriately being reclassified from rate group 1 to 2, the monthly rates will change as follows: Residential 1 party Flat Rate service will increase by \$.95, a 12.58% increase. Residential 1 party Flat Rate service in exchanges being reclassified from rate group 2 to 3 will increase by \$.55, a 6.47% increase. There are no exchanges being reclassified from rate group 3 to 4 in this tariff. There is one exchange being reclassified from rate group 1 to 3 which will increase by \$1.50, a 19.87% increase. Most residential customers have Residential 1 party Flat Rate service. All other residential classes of service included in the regrouping can be viewed in the pending tariff.